

Message Text

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ACTION EB-07

INFO OCT-01 EA-07 ISO-00 AID-05 CIAE-00 COME-00 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 L-03 H-02 ITC-01 PA-01 PRS-01 /083 W

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P 260448Z AUG 76

FM AMEMBASSY TAIPEI

TO SECSTATE WASHDC PRIORITY 0839

C O N F I D E N T I A L TAIPEI 5836

E.O. 11652: GDS

TAGS: ETRD, TW, US

SUBJECT: SECTION 301 PETITION FILED BY CHARLES REHFELDT,
LAI FU TRADING CO., LTD.

REF: STATE 211590

1. RESPONSE TO LETTER OF JULY 23 WAS RECEIVED AUGUST 25.
EMBASSY'S INFORMAL TRANSLATION FOLLOWS:

"MINISTRY OF FINANCE

DATE: AUGUST 23, 1976

LETTER NUMBER (65) - TAI KUANG TSE - 4060

DEAR MR. JOSEPH B. KYLE,

YOUR LETTER OF JULY 23, 1976 ADDRESSED TO MINISTER WALTER H.
FEI HAS BEEN REFERRED TO THE CUSTOMS ADMINISTRATION FOR REPLY.
REGARDING THE PETITION THE SPECIAL TRADE REPRESENTATIVE OF
YOUR COUNTRY ACCEPTED FROM THE LAI FU TRADING CO., LTD., WHICH
IS THE RCA AGENT IN TAIWAN, CONCERNING THE CUSTOMS DUTY DIS-
CRIMINATION AGAINST HOUSEHOLD ELECTRICAL APPLIANCES IMPORTED
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FROM YOUR COUNTRY, WE EXPLAIN AS FOLLOWS:

(1) THE CUSTOMS TARIFF SCHEDULES OF OUR COUNTRY FOLLOW THE BTN CLASSIFICATION AND HAVE BEEN ENACTED THROUGH PROPER LEGISLATION PROCEDURES. THE TARIFF SCHEDULES USE A SINGLE TAX RATE INDISCRIMINATELY APPLIED TO LIKE PRODUCTS IMPORTED FROM ANY COUNTRY. THERE EXISTS NO CUSTOMS DUTY DISCRIMINATION IN OUR COUNTRY. THE TAX RATE IS ESTABLISHED PURSUANT TO A POLICY TO HELP OUR ECONOMIC DEVELOPMENT. THE STRUCTURE OF TARIFF RATES WHICH RANGE FROM ZERO PERCENT THROUGH 156 PERCENT AND COVER 45 CATEGORIES, IS THUS FORMED TO APPLY TO VARIOUS DIFFERENT SITUATIONS.

(2) THE SALE OF TELEVISION RECEIVERS HAS RECENTLY REACHED A VERY LARGE VOLUME IN OUR COUNTRY. THE TARIFF SCHEDULE NUMBER IS 8515-1. THE IMPORT DUTY RATE ON TV RECEIVERS WAS 33 PERCENT AT THE BEGINNING WHEN THEY WERE NOT INDEPENDENTLY CLASSIFIED AS COLOR AND BLACK AND WHITE. IN 1974, WHEN THE TARIFF SCHEDULE WAS REVISED, COLOR TV RECEIVERS AND BLACK AND WHITE TV RECEIVERS WERE INDEPENDENTLY NUMBERED AND GIVEN DIFFERENT TAX RATES. THE FORMER (COLOR TV) WAS NUMBERED 8515-1-A AND GIVEN A 45 PERCENT TAX RATE WHILE THE LATTER (BLACK AND WHITE TV), 8515-1-B, WAS GIVEN A RATE OF 33 PERCENT. IN MARCH OF 1975, OUR GOVERNMENT RAISED THE TAX RATES OF COLOR TV RECEIVERS, AIR-CONDITIONERS, REFRIGERATORS (INCLUDING HOUSEHOLD FREEZER CHESTS WHICH HAD THE SAME TARIFF SCHEDULE NUMBER AS REFRIGERATORS) AND AUDIO EQUIPMENT IN ACCORDANCE WITH ITEM 1 OF ARTICLE 47 OF THE CUSTOMS LAW IN ORDER TO EXECUTE THE GOVERNMENT'S POLICY IN CURBING UNNECESSARY CONSUMPTION. THE TAX RATE FOR THE FIRST THREE PRODUCTS (COLOR TV RECEIVERS, AIR-CONDITIONERS AND REFRIGERATORS) THUS WAS INCREASED FROM 45 PERCENT TO 60 PERCENT. HOWEVER, THE TAX RATE OF COLOR TV RECEIVERS AND REFRIGERATORS WAS, UPON THE REQUEST OF YOUR GOVERNMENT, AGAIN LOWERED TO 45 PERCENT EFFECTIVE ON JULY 1 OF 1976.

(3) YOU REQUESTED IN YOUR LETTER THAT THE TAX RATE OF COLOR TV RECEIVERS BE LOWERED BACK TO 33 PERCENT, I.E., THE LEVEL BEFORE OUR TARIFF SCHEDULE REVISION IN 1974, AND THE RATE OF AIR-CONDITIONERS TO 45 PERCENT, I.E., THE LEVEL OF THE 1974 REVISION. REGARDING THE IMPORT DUTY RATE OF COLOR TV RECEIVERS WE FIND THAT THE RATE OF 45 PERCENT IN THE VERY BEGINNING WAS LOWERED BACK TO THE ORIGINAL LEVEL ON JULY 1 OF THIS YEAR. AS CONFIDENTIAL

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FOR THE TAX RATE ON AIR-CONDITIONERS, WE ARE IN NEED OF A PROTECTIVE POLICY TO DEVELOP OUR LOCAL INDUSTRY. WE THUS REGRET THAT TAX RATES ON COLOR TV RECEIVERS AND AIR-CONDITIONERS CAN'T BE LOWERED ANY FURTHER. WITH RESPECT TO TV STANDS, IF THEY ARE IMPORTED WITH THE TV RECEIVERS, THEIR TAX RATE SHALL BE THE SAME AS THE TV RECEIVER. HOWEVER, IF THEY ARE INDEPENDENTLY IMPORTED, THEIR TAX RATE SHALL BE 85 PERCENT IN ACCORDANCE WITH THEIR TARIFF SCHEDULE NUMBER OF 9403-2 WHICH IS

BASED ON THE BTN CLASSIFICATION.

(4) THE CURRENT IMPORT TAX RATE ON WASHERS IS 46 PERCENT. WE ARE NOT INTENDING TO CHANGE THE TAX RATE FOR THE TIME BEING. THE CURRENT TAX RATE ON SYNTHETIC FIBER RUGS IS 104 PERCENT. THIS RATE HAS NOT BEEN CHANGED FOR MANY YEARS AND WE DO NOT PROPOSED TO CHANGE IT AT THE PRESENT TIME.

SINCERELY,

WANG CHAO-MING,
DIRECTOR OF CUSTOMS ADMINISTRATION."

2. IN DISCUSSIONS ECON COUN HAD DURING PAST TWO WEEKS ON LAI FU CASE WITH SENIOR GROC OFFICIALS, INCLUDING, INTER ALIA, MINISTER FEI, VICE MINISTER OF ECONOMIC AFFAIRS LIU SHIH-CHENG, DIRECTOR OF BOARD OF FOREGIN TRADE WONG I-TING AND WANG CHAO-MING, THEY ALL HAVE EXPRESSED PUZZLEMENT AS TO WHY USG ATTACHES SO MUCH IMPORTANCE TO WHAT IS TO THEM A MINOR INGREDIENT OF TOTAL US-ROC TRADE. THIS DOES NOT MEAN THAT THEY ARE TREATING MATTER LIGHTLY. ON THE CONTRARY, THEY ARE DEEPLY CONCERNED THAT LACYFU CASE COULD ESTABLISH A PRECEDENT WHICH WOULD BE HIGHLY DISRUPTIVE TO OUR BILATERAL TRADE RELATIONS. AS VICE MINISTER LIU PUT IT: "IF WE LOWER OUR TARIFF RATES MERELY BECAUSE REHFLEDT THINKS THEY ARE TOO HIGH, WHAT IS TO PREVENT ANY OTHER IMPORTER WHO THINKS HE COULD SELL MORE OF HIS PRODUCT IF THE TARIFF WERE LOWER FROM PETITIONING YOUR GOVERNMENT TO PUT PRESSURE ON US TO LOWER THE TARIFF. WE HAVE RECENTLY LOWERED THE TARIFF ON COLOR TV RECEIVERS FROM 60 PERCENT TO 45 PERCENT AT YOUR REQUEST. THAT RATE IS CONSIDERABLY LOWER THAN THE RATE APPLIED IN MANY OTHER COUNTRIES."

3. WHILE IT WOULD APPEAR THAT WANG'S RESPONSE TO OUR DEMARCHE
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OF JULY 23 IS FINAL GROC ANSWER, EMBASSY WILL CONTINUE TO URGE THAT TARIFF RATES BE LOWERED TO LEVELS WE REQUESTED, DRAWING ON ARGUMENTS CONTAINED REFTEL.

4. DEPARTMENT WILL BE INTERESTED IN KNOWING THAT ROC IMPORTS OF TV RECEIVERS IN PERIOD JANUARY THROUGH JUNE 1976 TOTALLED US \$44.1 MILLION, UP 101.4 PERCENT OVER SAME PERIOD IN 1975. SINCE ROC CAN SATISFY MARKET FOR BLACK AND WHITE RECEIVERS, MOST OF IMPORTS ARE COLOR RECEIVERS. COMPUTER BREAKOUT AS TO ORIGIN OF IMPORTS HAS BEEN REQUESTED FROM CENTRAL BANK OF CHINA.

5. COPY OF WANG'S LETTER IS BEING POUCHED TO EA/ROC.
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Margaret P. Grafeld
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